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## Memorandum

Date: May 5, 1999  
To: BDAC Members  
From: Lester A. Snow  
Executive Director  
Subject: Finance Plan

A handwritten signature in black ink, appearing to read "Lester A. Snow", written over a horizontal line.

### Summary

The subject of CALFED financing has not been discussed in detail by BDAC for several months. At the May BDAC meeting staff will provide an update and describe the draft Finance Plan that is being developed to be included in the June Draft EIS/R. BDAC and Policy Group members will be asked to comment on several of the key issues embedded in the CALFED Finance Plan. These are issues that have been part of the finance discussion over the years and we need BDAC input as we develop the Finance Plan for the June draft. Staff will provide examples and scenarios from different parts of the CALFED program to help focus the discussion.

### Discussion questions:

1. When is it in the public interest to use public funding for CALFED programs and actions?
2. Is a broad based Bay-Delta system diversion fee an appropriate funding source for the CALFED Program?

If so, which CALFED programs or actions should receive revenues from a Delta user fee?  
How should the fee be structured?

### Detailed Discussion

CALFED is preparing a Finance Plan in coordination with agencies and stakeholders. By the time of the June draft, CALFED will have laid the foundation for developing financing recommendations, but final recommendations for the majority of the program will be completed by the time of the ROD. In developing the Finance Plan, CALFED is reviewing programs and actions, assessing benefits and beneficiaries when feasible, and raising issues regarding financing programs and actions. In the Plan potential funding sources are described and evaluated, and a possible Delta diverter user fee will be described. Listed below are the primary components of the Finance Plan with a description of the level of detail that will be provided by the time of the June draft.

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#### CALFED Agencies

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**California**  
The Resources Agency  
Department of Fish and Game  
Department of Water Resources  
California Environmental Protection Agency  
State Water Resources Control Board

**Federal**  
Environmental Protection Agency  
Department of the Interior  
Fish and Wildlife Service  
Bureau of Reclamation  
U.S. Army Corps of Engineers

Department of Agriculture  
Natural Resources Conservation Service  
Department of Commerce  
National Marine Fisheries Service

Scope and Level of Detail for June Draft

1. Refine Cost Estimates. For the June draft, Stage I cost estimates will be refined, focusing primarily on Years 2000 and 2001 (PreROD and early Stage I). BDAC received a draft list of actions and cost estimates at the March meeting. These costs will be revised for the June draft.
2. Crosscut budget. The June draft will include an initial review of existing programs and funding sources that relate to CALFED proposed actions.
3. Beneficiary Pays. A key element of the Finance Plan is the assessment of program benefits and beneficiaries in order to develop finance and cost share principles. Staff is beginning the process by reviewing and evaluating each CALFED program and its proposed actions (*Attachment 1*). By June, financing options will be listed and in a few cases specific cost share requirements may be proposed.
4. Crediting. Using the 1994 Accord as the date after which credits may be given, CALFED will develop a list of accounts that might be credited toward a CALFED program. Additional information will be provided on how a crediting policy would operate.
5. User Fees. The June draft will describe why a Delta water diversion fee/assessment is desirable and describe various scenarios for structuring such a fee/assessment. The users that could be assessed, the size of the fee and the range of revenue that could be generated will be described.
6. Background on Water Financing. Background information will be incorporated in the June draft that provides a broader context to CALFED's approach to financing. Information will be incorporated into the beneficiary pays and user fee sections.
7. Seek Federal and State Authorization/Appropriation. An ongoing effort involves coordination with the FY 2000 and FY 2001 federal and state budgets. CALFED agencies and the CALFED program have been asked to identify funding needs in FY 2001 that correspond with the FY 2001 actions proposed by CALFED.
8. Private Investment. Assessing the potential for private capital as a funding source will be included in the final EIS/R and not the June draft. This is because the U.C. Davis study *Quantitative Analysis of Finance Options for California's Future Water Supply* is expected to be completed in late June.
9. Finalize Cost Share Agreements. Cost sharing agreements between the state government, the federal government, and beneficiaries will be completed before the ROD. The assessment of program benefits and identification of beneficiaries and appropriate funding sources needs to be done prior to cost share agreements.

# **CALFED Programmatic Finance Strategy--June Draft**

